

Revenues from Oil and Natural Gas

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Summary of Presentation

- **Description of tax and non-tax revenues from oil and natural gas**
- **The structure of tax rates on oil and natural gas**
- **Prices and production of oil and natural gas in New Mexico, 1999 - 2013**
- **Receipts and distributions of tax and non-tax revenues from oil and natural gas, 1999 – 2013**
- **Comparative state tax and royalty rates on oil and natural gas in major producing states**

Taxes on Oil and Natural Gas: Base, Rate(s) and Distribution

Oil and Gas Emergency School Tax

- The tax base is:
 - The value of production (generally, the actual price received at the production unit times the quantity of production)
 - **Less** deductions for royalties paid to the federal government, the State, or an Indian nation, tribe or pueblo or to an Indian ward of the federal government, and
 - **Less** the expenses of trucking to the first place of market
 - Total deductions average 10.21% for oil and 19.18% for natural gas
- The current tax rate is 3.15% for oil and 4% for natural gas
- Revenues are distributed to the General Fund

Oil and Gas Severance Tax

- The tax base is the same as for the Oil and Gas Emergency School Tax
- The current tax rate is 3.75% for both oil and natural gas
- Revenues are distributed to the Severance Tax Bonding Fund

Oil and Gas Conservation Tax

- The tax base is the same as for the Oil and Gas Emergency School Tax
- The current tax rate is 0.19% for both oil and natural gas
- Revenues from 0.17% are distributed to the General Fund and from the remaining 0.02% to the Oil and Gas Reclamation Fund

Oil and Gas Production and Production Equipment Ad Valorem Taxes

- The tax base for the Production Tax is the same as for the Oil and Gas Emergency School Tax, reduced by the uniform assessment ratio (1/3)
- The tax base for the Production Equipment Tax is 27% of that base, further reduced by the uniform assessment ratio (1/3)
- Rates are the property tax rates that apply where production occurs
- Revenues are distributed to the State GO Bond Fund or to County Treasurers for distribution to local governments

Natural Gas Processors Tax

- The tax base is the Btu (British thermal unit) content of natural gas processed in New Mexico
- The tax rate is \$0.0065 per million Btu, multiplied by the ratio of the taxable value (as determined for the Oil and Gas Emergency School Tax) per mcf produced in New Mexico in the preceding calendar year to \$1.33
- Revenues are distributed to the General Fund

Non-Tax Revenues from Oil and Natural Gas

- **In addition to taxes on oil and natural gas, the State receives revenue from Federal Mineral Leasing and from the State Land Office**
- **Federal Mineral Leasing revenues are 49% of the rents and royalties received from production on federal lands in New Mexico**
 - **Prior to FY08, New Mexico received 50% of these monies**
 - **These revenues are distributed to the General Fund**
- **Rents from leases of State lands, including oil and natural gas leases, are distributed primarily to the General Fund**
 - **Royalties are distributed to the Permanent Fund**

The Structure of Tax Rates on Oil and Natural Gas

Taxes on Oil	Net Price of Oil (\$/bbl)		
	Under \$15	\$15 to \$18	Over \$18
Oil and Gas Emergency School Tax	1.58% ^b	2.36% ^b	3.15%
Oil and Gas Severance Tax ^a	1.875% ^b	2.8125% ^b	3.75%
Subtotal	3.455%	5.1725%	6.90%
Oil and Gas Conservation Tax	0.19%	0.19%	0.19%
Production Ad Valorem Tax	1.04%	1.04%	1.04%
Production Equipment Ad Valorem Tax	0.14%	0.14%	0.14%
Total	4.825%	6.5425%	8.27%

^a Special rates not shown here apply when the average price for West Texas Intermediate (WTI) for the year ending on May 31 prior to the current fiscal year is less than \$24 (well workover projects; rate is 2.45%), or less than \$28 (enhanced oil recovery project; rate is 1.875%).

^b These rates apply to stripper wells, with prices based on the average taxable value in the calendar year preceding July 1 of the current fiscal year.

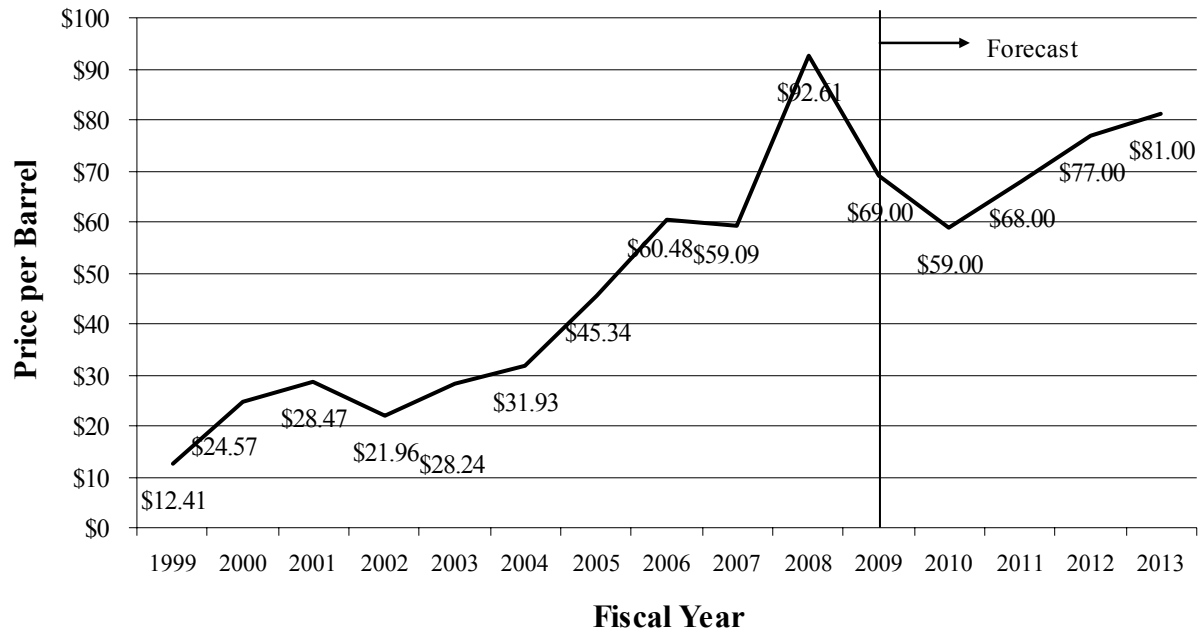
Taxes on Natural Gas	Net Price of Natural Gas (\$/mcf)		
	Under \$1.15	\$1.15 to \$1.35	Over \$1.35
Oil and Gas Emergency School Tax	2.00% ^b	3.00% ^b	4.00%
Oil and Gas Severance Tax ^a	1.875% ^b	2.8125% ^b	3.75%
Subtotal	3.875%	5.8125%	7.75%
Oil and Gas Conservation Tax	0.19%	0.19%	0.19%
Production Ad Valorem Tax	0.88%	0.88%	0.88%
Production Equipment Ad Valorem Tax	0.15%	0.15%	0.15%
Total	5.095%	7.0325%	8.97%

^a A special rate not shown here applies when the average price for West Texas Intermediate (WTI) for the year ending on May 31 prior to the current fiscal year is less than \$24 (well workover projects; rate is 2.45%).

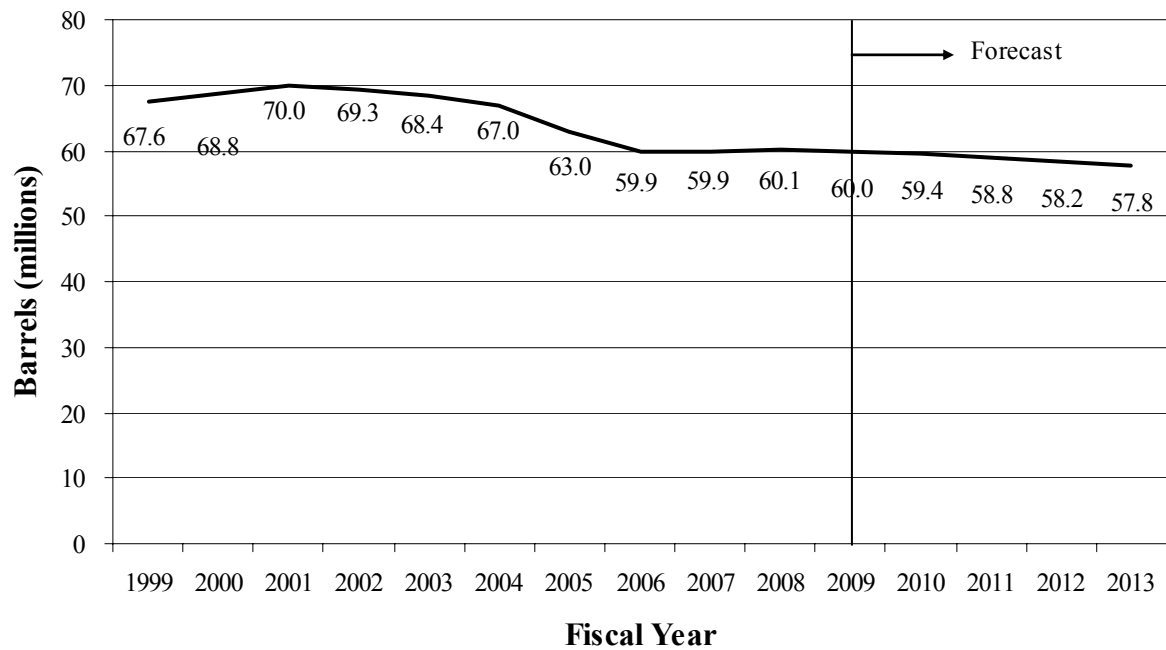
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Oil Prices and Production in New Mexico, FY1999 – FY2013

Oil Prices: FY1999 - FY2013

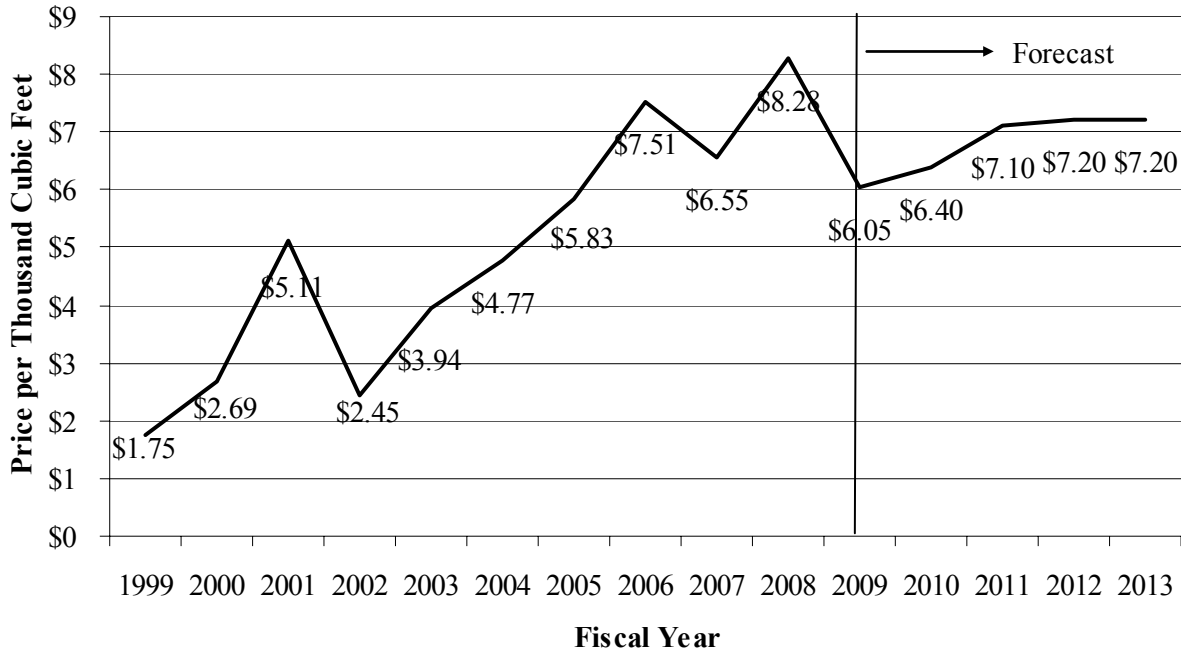


Oil Volumes: FY1999 - FY2013

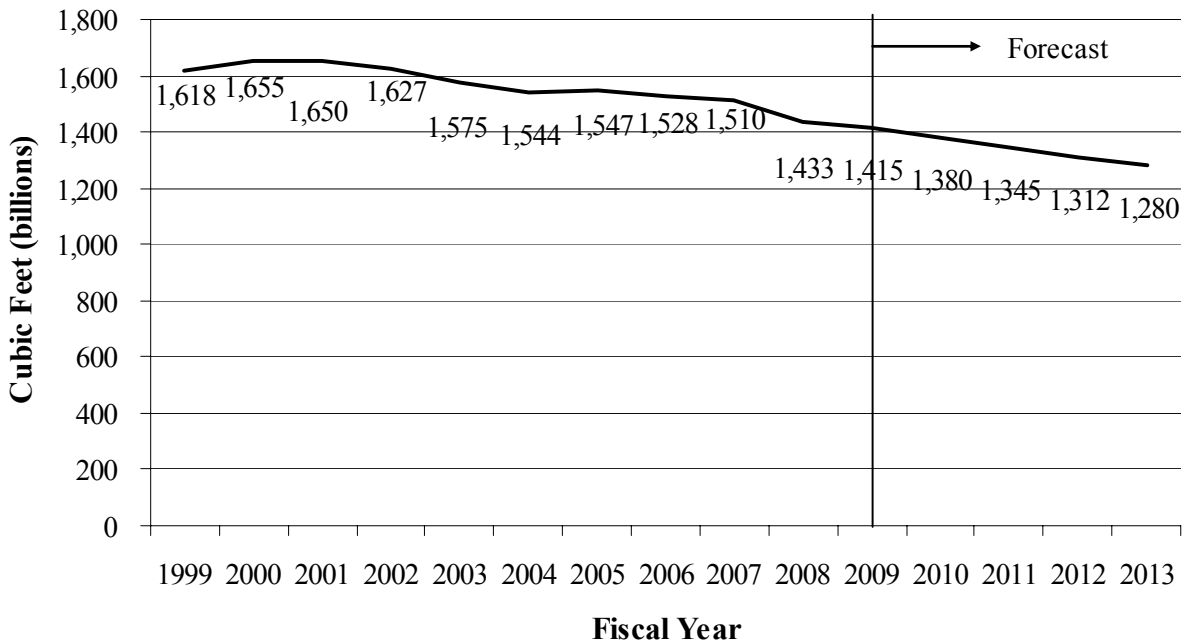


Natural Gas Prices and Production in New Mexico FY1999 – FY2013

Natural Gas Prices: FY1999 - FY2013



Natural Gas Volumes: FY1999 - FY2013



Receipts and Distributions of Revenues from Oil and Natural Gas, FY1999 – FY2013

Oil and Gas Revenue Source or Distribution Fund	Fiscal Year														
	Actual										Forecast				
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Tax Revenue</u>	<i>Revenues (millions)</i>														
Emergency School Tax	\$107.9	\$169.5	\$329.0	\$205.1	\$229.6	\$318.2	\$380.9	\$491.7	\$426.6	\$557.3	\$394.0	\$382.5	\$421.8	\$432.0	\$430.2
Severance Tax	\$106.4	\$165.1	\$315.6	\$200.7	\$221.4	\$314.1	\$389.9	\$489.0	\$425.4	\$567.4	\$401.0	\$385.7	\$426.0	\$439.1	\$438.7
Conservation Tax	\$5.4	\$8.7	\$16.6	\$10.4	\$11.6	\$16.0	\$19.5	\$24.8	\$21.2	\$29.1	\$20.3	\$19.5	\$21.6	\$22.2	\$22.2
Natural Gas Processors Tax	\$11.3	\$12.3	\$12.1	\$20.3	\$21.1	\$13.7	\$21.7	\$26.8	\$35.6	\$30.6	\$32.3	\$32.4	\$27.4	\$28.9	\$28.4
Production & Production Equipment Ad Valorem Taxes	<u>\$38.2</u>	<u>\$55.5</u>	<u>\$98.2</u>	<u>\$67.7</u>	<u>\$31.3</u>	<u>\$102.1</u>	<u>\$126.7</u>	<u>\$156.7</u>	<u>\$150.7</u>	<u>\$192.3</u>	<u>\$136.7</u>	<u>\$132.7</u>	<u>\$146.3</u>	<u>\$149.9</u>	<u>\$149.3</u>
Total Taxes	\$269.2	\$411.0	\$771.5	\$504.2	\$515.1	\$764.1	\$938.7	\$1,189.0	\$1,059.6	\$1,376.8	\$984.3	\$952.8	\$1,043.1	\$1,072.1	\$1,068.8
<u>Non-Tax Revenue</u>															
Federal Mineral Leasing	\$150.0	\$205.3	\$374.5	\$229.3	\$268.4	\$334.9	\$434.2	\$556.5	\$501.1	\$501.1	\$411.5	\$409.4	\$451.0	\$462.6	\$462.1
State Land Office (General Fund portion)	<u>\$10.5</u>	<u>\$15.8</u>	<u>\$27.2</u>	<u>\$19.9</u>	<u>\$15.2</u>	<u>\$22.1</u>	<u>\$42.0</u>	<u>\$52.7</u>	<u>\$50.4</u>	<u>\$50.4</u>	<u>\$37.4</u>	<u>\$36.7</u>	<u>\$39.0</u>	<u>\$39.8</u>	<u>\$39.7</u>
Total Non-Tax	\$160.5	\$221.1	\$401.7	\$249.2	\$283.6	\$356.9	\$476.2	\$609.2	\$551.5	\$551.5	\$448.9	\$446.1	\$490.0	\$502.4	\$501.8
Total Revenues	\$429.7	\$632.2	\$1,173.3	\$753.4	\$798.7	\$1,121.1	\$1,414.9	\$1,798.2	\$1,611.1	\$1,928.4	\$1,433.2	\$1,398.9	\$1,533.1	\$1,574.5	\$1,570.6
	<i>Distributions (millions)</i>														
General Fund	\$285.1	\$411.6	\$759.5	\$485.0	\$545.2	\$702.4	\$896.2	\$1,150.0	\$1,032.7	\$1,165.6	\$893.4	\$878.4	\$958.5	\$983.2	\$980.3
Severance Tax Bonding Fund	\$106.4	\$165.1	\$315.6	\$200.7	\$221.4	\$314.1	\$389.9	\$489.0	\$425.4	\$567.4	\$401.0	\$385.7	\$426.0	\$439.1	\$438.7
Oil and Gas Reclamation Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.7	\$2.4	\$2.2	\$2.6	\$2.3	\$3.0	\$2.1	\$2.1	\$2.3	\$2.3	\$2.3
State GO Bond Fund and County Treasurers	<u>\$38.2</u>	<u>\$55.5</u>	<u>\$98.2</u>	<u>\$67.7</u>	<u>\$31.3</u>	<u>\$102.1</u>	<u>\$126.7</u>	<u>\$156.7</u>	<u>\$150.7</u>	<u>\$192.3</u>	<u>\$136.7</u>	<u>\$132.7</u>	<u>\$146.3</u>	<u>\$149.9</u>	<u>\$149.3</u>
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State Tax and Royalty Rates and Production of Oil and Natural Gas in Top Producing States, Ranked by Tax Rate ¹

States (Ranked by Tax Rate)	Oil					
	Tax Rate	Royalty Rate	Combined Tax & Royalty Rate ²	Production		
				bbls (millions)	% U.S.	State Rank
Alaska	19.98%	20.00%	37.76%	22,517	14.1%	2
Louisiana	17.65%	23.75%	38.70%	6,345	4.0%	4
Wyoming	12.70%	16.67%	28.43%	4,615	2.9%	7
Kansas	8.92%	12.50%	21.17%	3,380	2.1%	8
New Mexico	8.27%	12.94%	21.11%	5,023	3.2%	6
Oklahoma	8.11%	20.00%	27.21%	5,288	3.3%	5
Texas	6.76%	25.00%	30.63%	32,821	20.6%	1
Colorado	5.50%	12.50%	17.85%	2,015	1.3%	9
California	1.06%	36.00%	36.75%	18,090	11.4%	3

	Natural Gas					
	Tax Rate	Royalty Rate	Combined Tax & Royalty Rate ²	Production		
				mcf (millions)	% U.S.	State Rank
Alaska	19.87%	20.00%	39.65%	445	2.3%	7
Wyoming	12.70%	16.67%	29.75%	1,816	9.4%	2
Kansas	11.86%	12.50%	25.33%	371	1.9%	8
Texas	11.03%	25.00%	35.23%	5,514	28.4%	1
Oklahoma	10.76%	20.00%	30.64%	1,689	8.7%	3
New Mexico	8.97%	13.07%	23.00%	1,609	8.3%	4
Colorado	5.50%	12.50%	18.45%	1,203	6.2%	6
Louisiana	4.45%	24.68%	28.82%	1,361	7.0%	5
California	1.75%	40.00%	41.30%	315	1.6%	9

¹ Tax rates for each state are on a taxable base equivalent to New Mexico's. They are either the rates that applied in FY07 if the information was available or that are expected to apply this year to the majority of oil or natural gas produced in the state and include property tax rates where applicable; some states have alternative rates that apply in certain circumstances. Royalty rates apply to production on state lands, and are averages reported for all production or for the most recently negotiated properties. New Mexico's rates are the weighted average rates in effect during FY07; Alaska's, Oklahoma's, and Wyoming's are the most recently negotiated rates; Louisiana's is the average bid in FY07; Kansas', Texas', and Colorado's rates are fixed rates in effect during FY07 and presently; California's are the weighted average rates for all leases presently in effect.

² Combined tax and royalty rates apply only to production on state lands and are calculated using the New Mexico tax base (assuming the royalty is the only deduction).

State Tax and Royalty Rates and Production of Oil and Natural Gas in Top Producing States, Ranked by Combined Tax and Royalty Rate¹

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